



**CITY OF NEW CARLISLE
CLARK COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2019**

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1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

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St. Clairsville, OH 43950
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OHIO AUDITOR OF STATE
KEITH FABER



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City Council
City of New Carlisle
331 South Church Street
New Carlisle, Ohio 45344

We have reviewed the *Independent Auditor's Report* of the City of New Carlisle, Clark County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of New Carlisle is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2020

**CITY OF NEW CARLISLE
CLARK COUNTY
DECEMBER 31, 2019**

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CLARK COUNTY
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

October 30, 2020

City of New Carlisle
Clark County
331 South Church Street
New Carlisle, Ohio 45344

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Carlisle, Clark County, Ohio (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Street Construction Fund	Unmodified
Emergency Ambulance Operating Fund	Unmodified
Police Income Tax Fund	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Major Enterprise Water and Sewer Funds, and Aggregate Remaining Fund Information

Management has not established an adequate method for recording capital assets. Accounting principles generally accepted in the United States of America require that sufficient competent evidential matter support the City's capital asset balances, and support the reported accumulated depreciation and current period depreciation expense in the Governmental Activities, Business-Type Activities, Major Enterprise Water and Sewer Funds, and the Non-Major Enterprise Fund (which is a component of Aggregate Remaining Fund Information). We cannot reasonably determine the amount by which this departure would affect the assets, net position, and expenses of the Governmental Activities, Business-Type Activities, Major Enterprise Water and Sewer Funds, and the Non-Major Enterprise Fund (which is a component of Aggregate Remaining Fund Information).

Qualified Opinions

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Major Enterprise Water and Sewer Funds, and Aggregate Remaining Fund Information* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, Major Enterprise Water and Sewer Funds, and Aggregate Remaining Fund Information of the City of New Carlisle, Clark County, Ohio, as of December 31, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General, Street Construction, Emergency Ambulance Operating, and Police Income Tax Fund of the City of New Carlisle, Clark County, Ohio as of December 31, 2019, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Street Construction, Emergency Ambulance Operating, and Police Income Tax Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

This discussion and analysis of the City of New Carlisle's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the current year by approximately \$5.6 million (net position), an increase of approximately \$1.2 million from the prior year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$4.1 million, an increase of \$660,928 from the prior year.
- At year-end, the City's general fund reported a fund balance of approximately \$1.5 million, an increase of \$239,924 in comparison with the prior year.
- At the end of the current year, the unassigned fund balance for the General Fund was \$469,063, or 43% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT’S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Reporting the City of New Carlisle as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, “How did we do financially during 2019?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities, and deferred inflows and outflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the City’s net position and changes in this position. This change in net position is important because it tells the reader whether the financial position of the City, as a whole, has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as the condition of the City’s capital assets will also need to be evaluated. In these two statements, the City is divided into the following two types of activities:

- **Governmental Activities** – Most of the City’s programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.
- **Business-Type Activities** – The business-type activities of the City primarily consist of water distribution, sewage collection and treatment, and swimming pool.

Reporting the City of New Carlisle’s Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City’s major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City’s most significant funds. In the case of the City, our major funds are the general, street construction, emergency ambulance operating, police income tax, water, and sewer funds.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Governmental Funds

Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled as part of the financial statements.

The City maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general, street construction, emergency ambulance operating, and police income tax which are considered to be the City's major funds. Data from the other 12 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for the general, street construction, emergency ambulance operating, and police income tax funds to demonstrate compliance with this budget.

Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, the proprietary fund statements will essentially match the business-type activities statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City has no fiduciary funds.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

THE CITY OF NEW CARLISLE AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2018 compared to 2017.

TABLE 1

Net Position (Deficit)

	Governmental Activities		Business-type Activities	
	2019	2018	2019	2018
Current and other assets	\$ 6,307,642	\$ 5,596,839	\$ 868,345	\$ 764,231
Capital assets	4,909,162	4,720,414	821,912	445,859
Total Assets	<u>11,216,804</u>	<u>10,317,253</u>	<u>1,690,257</u>	<u>1,210,090</u>
Deferred Outflows of Resources	<u>315,535</u>	<u>181,307</u>	<u>314,188</u>	<u>164,879</u>
Current liabilities	123,705	111,098	45,338	21,357
Long-term liabilities	1,269,193	1,494,629	2,873,378	2,875,388
Net pension liability	925,440	565,398	935,573	547,043
Net OPEB liability	422,289	365,306	427,113	353,469
Total Liabilities	<u>2,740,627</u>	<u>2,536,431</u>	<u>4,281,402</u>	<u>3,797,257</u>
Deferred Inflows of Resources	<u>882,747</u>	<u>948,893</u>	<u>38,040</u>	<u>192,187</u>
Net Position:				
Net Investment in Capital Assets	3,710,823	3,288,809	(2,002,063)	(2,375,236)
Restricted	3,264,377	2,840,739	-	-
Unrestricted	933,765	883,688	(312,934)	(239,239)
Total Net Position (Deficit)	<u>\$ 7,908,965</u>	<u>\$ 7,013,236</u>	<u>\$ (2,314,997)</u>	<u>\$ (2,614,475)</u>

The net pension and net OPEB liabilities and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior year. These fluctuations are primarily the result of lower than expected returns on pension plan investments.

Current and other assets increase significantly in comparison with the prior year. This increase is primarily due to an increase in equity in pooled cash and cash equivalents. There was an increase in cash held by the City as a result of an increase in tax receipts during the year.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

The significant increase in capital assets, net is the result of current year additions while the significant decrease in long-term liabilities is the result of the current year principal payments.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.), net of accumulated depreciation, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$3.3 million of the City's net position represents resources that are subject to external restrictions on how they may be used.

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

Table 2 shows the changes in net position for the years ended December 31, 2019 and 2018.

**TABLE 2
Change in Net Position (Deficit)**

	Governmental Activities		Business-Type Activities	
	2019	2018	2019	2018
Program Revenues:				
Charges for Services	\$ 868,787	\$ 802,415	\$ 1,879,933	\$ 1,792,564
Operating Grants and Contributions	426,153	406,478	-	-
Capital Grants and Contributions	275,546	12,491	-	-
General Revenues:				
Property Taxes	811,820	543,431	-	-
Income Taxes	1,764,138	1,779,127	-	-
Other Local Taxes	40,838	50,988	-	-
Unrestricted Grants and Entitlements	69,777	47,971	-	-
Other Unrestricted Revenues	66,967	63,816	68,614	51,985
Total Revenues	<u>4,324,026</u>	<u>3,706,717</u>	<u>1,948,547</u>	<u>1,844,549</u>
Expenses:				
General Government	1,042,425	1,022,288	-	-
Security of Persons and Property	728,939	721,204	-	-
Leisure-Time Activities	89,328	89,230	-	-
Health	972,789	902,221	-	-
Community Environment	34,671	3,905	-	-
Transportation	467,600	397,448	-	-
Interest on Long-Term Debt and Bond Issuance Costs	52,545	61,840	-	-
Water	-	-	774,521	1,106,358
Sewer	-	-	811,408	788,626
Swimming Pool	-	-	103,140	77,412
Total Expenses	<u>3,388,297</u>	<u>3,198,136</u>	<u>1,689,069</u>	<u>1,972,396</u>
Increase/(Decrease) before Other Items	<u>935,729</u>	<u>508,581</u>	<u>259,478</u>	<u>(127,847)</u>
Special Item	-	-	-	-
Transfers	(40,000)	(10,000)	40,000	10,000
Increase(Decrease) in Net Position	<u>895,729</u>	<u>498,581</u>	<u>299,478</u>	<u>(117,847)</u>
Net Position (Deficit) at Beginning of Year	7,013,236	6,514,655	(2,614,475)	(2,496,628)
Net Position (Deficit) at End of Year	<u>\$ 7,908,965</u>	<u>\$ 7,013,236</u>	<u>\$ (2,314,997)</u>	<u>\$ (2,614,475)</u>

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Governmental Activities

Capital grants and contributions increased significantly in comparison with the prior year. This increase is the result of the City completing the CDBG Galewood Drive Reconstruction Project during the year. During 2019, the City transferred \$40,000 to the Swimming Pool funds.

Property taxes increased significantly in comparison with the prior year. This increase is the result of the City passing a 3.00 mills levy in 2018 for the fire department effective for tax years 2018 to 2022. The City also passed 1.00 mills levy in 2016 for the purpose of supplementing the general fund for the provision of Health Services effective for tax years 2017 to 2022.

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

Total versus Net Cost of Services

The Statement of Activities shows the cost of program services and the charges for services and grants and contributions associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of program services must be supported by general revenues.

TABLE 3

Functions/Programs	Total Cost		Net Cost	
	2019	2018	2019	2018
Governmental Activities:				
General Government	\$ 1,042,425	\$ 1,022,288	\$ 1,009,332	\$ 983,067
Security of Persons and Property	728,939	721,204	565,353	564,658
Leisure-Time Activities	89,328	89,230	89,328	89,230
Health	972,789	902,221	304,456	225,092
Community Environment	34,671	3,905	34,671	3,905
Transportation	467,600	397,448	(237,874)	48,960
Interest on Long-Term Debt and Bond Issuance Costs	52,545	61,840	52,545	61,840
Total Governmental Activities	\$ 3,388,297	\$ 3,198,136	\$ 1,817,811	\$ 1,976,752
Business-Type Activities:				
Water	\$ 774,521	\$ 1,106,358	\$ (203,968)	\$ 225,731
Sewer	811,408	788,626	(4,818)	(49,757)
Swimming Pool	103,140	77,412	17,922	3,858
Total Business-Type Activities	\$ 1,689,069	\$ 1,972,396	\$ (190,864)	\$ 179,832

The City's reliance upon general tax revenues is demonstrated by Table 2 indicating approximately 60.5% of total governmental revenues from local taxes, as well as the net cost of services column for governmental activities in Table 3 above reflecting the need for support.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)

THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of the end of the current year, the City's governmental funds reported combined ending fund balances of approximately \$4.1 million, an increase over the previous year's \$660,928.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2019 and 2018.

	Fund Balance 12/31/2019	Restated Fund Balance 12/31/2018	Increase/ (Decrease)
General Fund	\$ 1,489,569	\$ 1,249,645	\$ 239,924
Street Construction Fund	275,673	170,959	104,714
Emergency Ambulance Operating Fund	254,358	250,618	3,740
Police Income Tax Fund	641,475	457,435	184,040
Other Governmental Funds	1,438,612	1,310,102	128,510
Total	<u>\$ 4,099,687</u>	<u>\$ 3,438,759</u>	<u>\$ 660,928</u>

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the General Fund was \$469,063, while total fund balance was approximately \$1.5 million. The \$239,924 increase represents the amount in which excess revenues (\$497,585) exceeded operating transfers out to other funds (\$257,661).

The Street Construction Fund accounts for the City's street repair, maintenance and improvement activities. The increase in fund balance represents the amount by which property taxes and intergovernmental revenue exceeded costs of street maintenance and improvement.

The fund balance increase in the Emergency Ambulance Operating Fund represents the amount by which property tax revenues, customer charges, and intergovernmental revenue exceeded costs of providing services during the year.

The fund balance increase in the Police Income Tax Fund represents the amount by which income taxes exceeded costs for police operations during the year.

The fund balance increase in the Other Government Funds is primarily the result of revenues and transfers from the General Fund exceeding expenditures during the year.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

Proprietary Funds

At year-end, net position in the Water Fund amounted to approximately negative \$1.8 million. Total Water Fund net position increased \$248,725, or 12.1%, from the previous year. The key components of this increase are an operating income of \$267,438 and debt interest payments totaling \$26,601.

At year-end, net position in the Sewer Fund amounted to negative \$530,620. Total Sewer Fund net position increased \$23,552, or 4.2%, from the previous year. This increase primarily represents operating income during the year.

GENERAL FUND BUDGETARY INFORMATION

The City's final revenues estimate was \$187,700, or 14.1%, more than the original estimate due to higher than expected income tax revenues. Actual budgetary revenues were \$3,555, or 0.2%, more than the final revenue estimate.

The City's final appropriations were \$38,163 more than the original appropriations. Actual budgetary expenditures and financing uses were \$399,799 less than final appropriations.

CAPITAL ASSETS

At year-end, the City's investment in capital assets for governmental and business-type activities totaled approximately \$4.9 million and \$821,912 (net of accumulated depreciation), respectively. This investment in capital assets includes land, improvements other than buildings, buildings, machinery/equipment, furniture/fixtures, computer equipment, vehicles, and infrastructure.

Total acquisitions (capital outlay) for the current year were approximately \$1.1 million and depreciation expense was \$492,151.

Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
(UNAUDITED)**

LONG-TERM DEBT

At the end of the current year, the City had total long-term debt outstanding of approximately \$4.0 million. Of this amount, approximately \$1.4 million represents bonds and notes backed by the full faith and credit of the City and \$2.6 million represents OPWC and OWDA loans secured by specified revenue sources.

Detailed information regarding long-term debt is included in Note 10 to the basic financial statements.

ECONOMIC CONDITIONS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, construction-related costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

CONTACTING THE CITY

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it administers. If you have any questions about this report or need additional financial information, contact Randy Bridge, City Manager, 331 South Church Street, New Carlisle, Ohio 45344.

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Pooled Cash and Cash Equivalents	\$ 3,227,892	\$ 737,543	\$ 3,965,435
Investments	282,815	-	282,815
Receivables:			
Taxes	2,074,100	-	2,074,100
Accounts	100,897	226,896	327,793
Due from Other Governments	239,994	-	239,994
Internal Balances	115,500	(115,500)	-
Prepaid Items	67,797	19,406	87,203
Special Assessments Receivable	198,647	-	198,647
NonDepreciable Capital Assets	274,373	638,425	912,798
Depreciable Capital Assets, Net	4,634,789	183,487	4,818,276
Total Assets	<u>11,216,804</u>	<u>1,690,257</u>	<u>12,907,061</u>
Deferred Outflows of Resources			
Pension	278,710	278,765	557,475
OPEB	36,825	35,423	72,248
Total Deferred Outflows of Resources	<u>315,535</u>	<u>314,188</u>	<u>629,723</u>
Liabilities			
Accounts Payable	91,349	31,413	122,762
Accrued Wages and Benefits	29,174	12,062	41,236
Due to Other Governments	3,182	1,863	5,045
Long-Term Liabilities:			
Due Within One Year	157,957	288,480	446,437
Due in More Than One Year:			
Other Amounts Due in More Than One Year	1,111,236	2,584,898	3,696,134
Net Pension Liability	925,440	935,573	1,861,013
Net OPEB Liability	422,289	427,113	849,402
Total Liabilities	<u>2,740,627</u>	<u>4,281,402</u>	<u>7,022,029</u>
Deferred Inflows of Resources			
Property Taxes	833,990	-	833,990
Pension	38,508	30,812	69,320
OPEB	10,249	7,228	17,477
Total Deferred Inflow of Resources	<u>882,747</u>	<u>38,040</u>	<u>920,787</u>
Net Position			
Net Investment in Capital Assets	3,710,823	(2,002,063)	1,708,760
Restricted For:			
Debt Service	422,128	-	422,128
Highways and Streets	552,454	-	552,454
Public Safety	1,281,209	-	1,281,209
Public Health	1,008,586	-	1,008,586
Unrestricted	933,765	(312,934)	620,831
Total Net Position	<u>\$ 7,908,965</u>	<u>\$ (2,314,997)</u>	<u>\$ 5,593,968</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government	\$ 1,042,425	\$ 32,074	\$ 1,019	\$ -
Security of Persons and Property	728,939	140,571	23,015	-
Leisure-Time Activities	89,328	-	-	-
Health	972,789	616,355	51,978	-
Community Environment	34,671	-	-	-
Transportation	467,600	79,787	350,141	275,546
Interest on Long-Term Debt	52,545	-	-	-
Total Governmental Activities	3,388,297	868,787	426,153	275,546
Business-type Activities:				
Water	774,521	978,489	-	-
Sewer	811,408	816,226	-	-
Swimming Pool	103,140	85,218	-	-
Total Business-Type Activities	1,689,069	1,879,933	-	-
Total Government	\$ 5,077,366	\$ 2,748,720	\$ 426,153	\$ 275,546

General Revenues:
Property Taxes
Income Taxes
Other Local Taxes
Unrestricted Grants and Entitlements
Other Unrestricted Revenues
Total General Revenues

Transfers

Change in Net Position

Net Position at Beginning of Year
Net Position at End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,009,332)	\$ -	\$ (1,009,332)
(565,353)	-	(565,353)
(89,328)	-	(89,328)
(304,456)	-	(304,456)
(34,671)	-	(34,671)
237,874	-	237,874
(52,545)	-	(52,545)
<u>(1,817,811)</u>	<u>-</u>	<u>(1,817,811)</u>
-	203,968	203,968
-	4,818	4,818
-	(17,922)	(17,922)
-	<u>190,864</u>	<u>190,864</u>
<u>(1,817,811)</u>	<u>190,864</u>	<u>(1,626,947)</u>
811,820	-	811,820
1,764,138	-	1,764,138
40,838	-	40,838
69,777	-	69,777
66,967	68,614	135,581
<u>2,753,540</u>	<u>68,614</u>	<u>2,822,154</u>
(40,000)	40,000	-
<u>895,729</u>	<u>299,478</u>	<u>1,195,207</u>
7,013,236	(2,614,475)	4,398,761
<u>\$ 7,908,965</u>	<u>\$ (2,314,997)</u>	<u>\$ 5,593,968</u>

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Street Construction	Emergency Ambulance Operating	Police Income Tax
Assets:				
Pooled Cash and Cash Equivalents	\$ 951,395	\$ 205,468	\$ 204,726	\$ 569,118
Investments	209,386	-	-	-
Receivables:				
Taxes	927,449	149,298	253,616	255,538
Accounts	13,303	-	83,964	-
Due from Other Governments	32,704	160,233	12,460	-
Due from Other Funds	28,875	-	-	-
Prepaid Items	28,362	3,675	7,750	4,178
Special Assessments Receivable	4,759	-	-	-
Advances to Other Funds	86,625	-	-	-
Total Assets	\$ 2,282,858	\$ 518,674	\$ 562,516	\$ 828,834
Liabilities:				
Accounts Payable	\$ 47,953	\$ 198	\$ 3,205	\$ 31,253
Accrued Wages and Benefits	7,327	2,994	15,297	-
Due to Other Governments	1,132	463	1,170	-
Total Liabilities	\$ 56,412	\$ 3,655	\$ 19,672	\$ 31,253
Deferred Inflows of Resources:				
Unavailable Revenue	595,034	138,579	117,311	156,106
Property and Other Local Taxes	141,843	100,767	171,175	-
Total Deferred Inflows of Resources	\$ 736,877	\$ 239,346	\$ 288,486	\$ 156,106
Fund Balances:				
Nonspendable:				
Prepaid Items	28,362	3,675	7,750	4,178
Perpetual Care	-	-	-	-
Advances	86,625	-	-	-
Restricted for:				
Debt Service	-	-	-	-
Highways and Streets	-	271,998	-	-
Public Safety	-	-	-	637,297
Public Health	-	-	246,608	-
Assigned for:				
Future Appropriations	905,519	-	-	-
Unassigned	469,063	-	-	-
Total Fund Balances	\$ 1,489,569	\$ 275,673	\$ 254,358	\$ 641,475
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,282,858	\$ 518,674	\$ 562,516	\$ 828,834

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 1,297,185	\$ 3,227,892
73,429	282,815
488,199	2,074,100
3,630	100,897
34,597	239,994
-	28,875
23,832	67,797
193,888	198,647
-	86,625
<u>\$ 2,114,760</u>	<u>\$ 6,307,642</u>
\$ 8,740	\$ 91,349
3,556	29,174
417	3,182
<u>12,713</u>	<u>123,705</u>
243,230	1,250,260
420,205	833,990
<u>663,435</u>	<u>2,084,250</u>
23,832	67,797
136,135	136,135
-	86,625
320,814	320,814
130,428	402,426
368,637	1,005,934
458,766	705,374
-	905,519
-	469,063
<u>1,438,612</u>	<u>4,099,687</u>
<u>\$ 2,114,760</u>	<u>\$ 6,307,642</u>

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Total Governmental Fund Balances \$ 4,099,687

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 4,909,162

Other long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable in the funds.

Delinquent Property Taxes	249,291
Income Taxes	674,532
EMS Receivables	47,174
Cemetery Receivables	3,525
Intergovernmental Receivables	171,229
Special Assessment Receivables	104,509

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.

Unamortized Premium on Bonds	(697)
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The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	278,710
Deferred Outflows - OPEB	36,825
Deferred Inflows - Pension	(38,508)
Deferred Inflows - OPEB	(10,249)
Net Pension Liability	(925,440)
Net OPEB Liability	(422,289)

Long-Term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated Absences Payable	(69,887)
General Obligation Debt	(1,198,609)

Net Position of Governmental Activities \$ 7,908,965

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Street Construction	Emergency Ambulance Operating	Police Income Tax
Revenues:				
Property Taxes	\$ 138,690	\$ 113,154	\$ 187,950	\$ -
Income Taxes	1,185,662	-	-	582,550
Other Local Taxes	63,152	-	-	-
Charges for Services	-	-	504,675	-
Licenses, Permits, and Fees	29,704	-	-	-
Fines and Forfeitures	2,370	-	-	-
Intergovernmental	64,315	309,789	24,084	-
Special Assessments	15,823	-	-	-
Other	77,580	12,694	39,265	4,066
Total Revenues	<u>1,577,296</u>	<u>435,637</u>	<u>755,974</u>	<u>586,616</u>
Expenditures:				
Current Operations and Maintenance:				
General Government	808,022	-	-	-
Security of Persons and Property	-	-	-	402,576
Leisure-Time Activities	64,756	-	-	-
Health	-	-	727,150	-
Community Environment	10,681	-	-	-
Transportation	-	323,859	-	-
Capital Outlay	196,252	26,150	25,084	-
Debt Service:				
Principal Retirement	-	10,914	-	-
Interest and Fiscal Charges	-	-	-	-
Total Expenditures	<u>1,079,711</u>	<u>360,923</u>	<u>752,234</u>	<u>402,576</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	497,585	74,714	3,740	184,040
Other Financing Sources (Uses):				
Transfers In	-	30,000	-	-
Transfers Out	(257,661)	-	-	-
Total Other Financing Sources (Uses)	<u>(257,661)</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	239,924	104,714	3,740	184,040
Fund Balance at Beginning of Year	1,249,645	170,959	250,618	457,435
Fund Balance at End of Year	<u>\$ 1,489,569</u>	<u>\$ 275,673</u>	<u>\$ 254,358</u>	<u>\$ 641,475</u>

See accompanying notes to the basic financial statements

Other Governmental Funds	Total Governmental Funds
\$ 372,026	\$ 811,820
-	1,768,212
56,624	119,776
55,256	559,931
-	29,704
-	2,370
77,540	475,728
113,647	129,470
37,738	171,343
<u>712,831</u>	<u>4,068,354</u>
678	808,700
240,944	643,520
-	64,756
128,462	855,612
-	10,681
78,387	402,246
48,005	295,491
222,352	233,266
53,154	53,154
<u>771,982</u>	<u>3,367,426</u>
(59,151)	700,928
187,661	217,661
-	(257,661)
<u>187,661</u>	<u>(40,000)</u>
128,510	660,928
1,310,102	3,438,759
<u>\$ 1,438,612</u>	<u>\$ 4,099,687</u>

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Total Governmental Funds		\$ 660,928
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
	Capital Outlay	560,211
	Depreciation	(371,463)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
	Income Taxes	(4,074)
	Other Local Taxes	(22,314)
	Charges for Services	3,291
	Intergovernmental Revenues	20,202
	Special Assessments	(16,979)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
	Pension	66,410
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
	Pension	(188,736)
	OPEB	(37,183)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
	Repayment of Long-term Debt	233,266
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
	Premium on Bonds	609
Internal service funds are used by management to charge the costs of health care to individual funds. The net revenue (expense) of activities of the internal service fund is reported with governmental activities.		
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
	Compensated Absences	(8,439)
Change in Net Position of Governmental Activities		<u>\$ 895,729</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 135,269	\$ 136,559	\$ 136,559	\$ -
Income tax	1,000,000	1,149,606	1,149,607	1
Other Local Taxes	55,000	55,000	51,686	(3,314)
Licenses and Permits	27,500	27,500	29,704	2,204
Fines and Forfeitures	5,000	5,000	2,370	(2,630)
Intergovernmental	48,417	58,163	59,987	1,824
Special Assessments	6,000	6,000	15,823	9,823
Other	26,000	81,933	77,580	(4,353)
Total Revenues	<u>1,303,186</u>	<u>1,519,761</u>	<u>1,523,316</u>	<u>3,555</u>
Expenditures				
General Government	1,009,155	1,047,319	791,328	255,991
Leisure-Time Activities	106,000	106,000	64,906	41,094
Community Environment	38,335	38,335	10,671	27,664
Capital Outlay	271,302	271,302	196,252	75,050
Total Expenditures	<u>1,424,792</u>	<u>1,462,956</u>	<u>1,063,157</u>	<u>399,799</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(121,606)	56,805	460,159	403,354
Other Financing Sources/(Uses)				
Advances In	28,875	-	-	-
Transfers Out	(257,662)	(257,661)	(257,661)	-
Total Other Financing Sources/(Uses)	<u>(228,787)</u>	<u>(257,661)</u>	<u>(257,661)</u>	<u>-</u>
Net Change in Fund Balance	(350,393)	(200,856)	202,498	403,354
Fund Balance at Beginning of Year	949,286	949,286	949,286	-
Prior Year Encumbrances Appropriated	8,997	8,997	8,997	-
Fund Balance at End of Year	<u>\$ 607,890</u>	<u>\$ 757,427</u>	<u>\$ 1,160,781</u>	<u>\$ 403,354</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 112,841	\$ 113,917	\$ 113,917	\$ -
Intergovernmental	235,267	303,477	291,283	(12,194)
Other	500	500	12,694	12,194
Total Revenues	<u>348,608</u>	<u>417,894</u>	<u>417,894</u>	<u>-</u>
Expenditures				
Transportation	416,273	416,273	317,913	98,360
Capital Outlay	5,000	35,000	26,150	8,850
Debt Service:				
Principal Retirement	5,681	5,681	10,914	(5,233)
Total Expenditures	<u>426,954</u>	<u>456,954</u>	<u>354,977</u>	<u>101,977</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	(78,346)	(39,060)	62,917	101,977
Other Financing Sources				
Transfers In	-	30,000	30,000	-
Total Other Financing Sources	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balance	(78,346)	(9,060)	92,917	101,977
Fund Balance at Beginning of Year	107,178	107,178	107,178	-
Prior Year Encumbrances Appropriated	5,373	5,373	5,373	-
Fund Balance at End of Year	<u>\$ 34,205</u>	<u>\$ 103,491</u>	<u>\$ 205,468</u>	<u>\$ 101,977</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
EMERGENCY AMBULANCE OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Property Taxes	\$ 183,368	\$ 188,114	\$ 188,115	\$ 1
Charges for Services	548,000	548,514	505,458	(43,056)
Intergovernmental	31,308	19,757	24,084	4,327
Other	-	-	39,265	39,265
Total Revenues	<u>762,676</u>	<u>756,385</u>	<u>756,922</u>	<u>537</u>
Expenditures				
Health	761,751	761,751	714,481	47,270
Capital Outlay	100,000	100,000	25,084	74,916
Total Expenditures	<u>861,751</u>	<u>861,751</u>	<u>739,565</u>	<u>122,186</u>
Net Change in Fund Balance	(99,075)	(105,366)	17,357	122,723
Fund Balance at Beginning of Year	186,978	186,978	186,978	-
Prior Year Encumbrances Appropriated	391	391	391	-
Fund Balance at End of Year	<u>\$ 88,294</u>	<u>\$ 82,003</u>	<u>\$ 204,726</u>	<u>\$ 122,723</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
POLICE INCOME TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance (Over)/Under
Revenues				
Income Taxes	\$ 500,000	\$ 564,523	\$ 564,523	\$ -
Other	-	4,066	4,066	-
Total Revenues	<u>500,000</u>	<u>568,589</u>	<u>568,589</u>	<u>-</u>
Expenditures				
Security of Persons and Property	476,807	476,807	397,690	79,117
Capital Outlay	70,500	70,500	-	70,500
Total Expenditures	<u>547,307</u>	<u>547,307</u>	<u>397,690</u>	<u>149,617</u>
Net Change in Fund Balance	(47,307)	21,282	170,899	149,617
Fund Balance at Beginning of Year	398,148	398,148	398,148	-
Prior Year Encumbrances Appropriated	71	71	71	-
Fund Balance at End of Year	<u>\$ 350,912</u>	<u>\$ 419,501</u>	<u>\$ 569,118</u>	<u>\$ 149,617</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Assets				
Current Assets:				
Pooled Cash and Cash Equivalents	\$ 402,447	\$ 315,255	\$ 19,841	\$ 737,543
Accounts Receivable	126,771	100,125	-	226,896
Prepaid Items	11,621	4,860	2,925	19,406
Total Current Assets	<u>540,839</u>	<u>420,240</u>	<u>22,766</u>	<u>983,845</u>
Noncurrent Assets:				
NonDepreciable Capital Assets	22,043	580,055	36,327	638,425
Depreciable Capital Assets, Net	-	146,244	37,243	183,487
Total Noncurrent Assets	<u>22,043</u>	<u>726,299</u>	<u>73,570</u>	<u>821,912</u>
Total Assets	<u>562,882</u>	<u>1,146,539</u>	<u>96,336</u>	<u>1,805,757</u>
Deferred Outflows of Resources				
Pension	110,084	148,953	19,728	278,765
OPEB	14,277	18,010	3,136	35,423
Total Deferred Outflows of Resources	<u>124,361</u>	<u>166,963</u>	<u>22,864</u>	<u>314,188</u>
Liabilities				
Current Liabilities				
Accounts Payable	770	30,643	-	31,413
Accrued Wages and Benefits	5,019	7,043	-	12,062
Due to Other Governments	775	1,088	-	1,863
Compensated Absences	7,115	12,178	-	19,293
Due to Other Funds	28,875	-	-	28,875
Loans Payable	207,350	61,837	-	269,187
Total Current Liabilities	<u>249,904</u>	<u>112,789</u>	<u>-</u>	<u>362,693</u>
Noncurrent Liabilities				
Advances from Other Funds	86,625	-	-	86,625
Loans Payable	1,593,515	961,273	-	2,554,788
Compensated Absences	10,229	19,881	-	30,110
Net Pension Liability	376,311	500,104	59,158	935,573
Net OPEB Liability	171,836	228,289	26,988	427,113
Total Noncurrent Liabilities	<u>2,238,516</u>	<u>1,709,547</u>	<u>86,146</u>	<u>4,034,209</u>
Total Liabilities	<u>2,488,420</u>	<u>1,822,336</u>	<u>86,146</u>	<u>4,396,902</u>
Deferred Inflows of Resources				
Pension	15,615	12,988	2,209	30,812
OPEB	5,317	910	1,001	7,228
Total Deferred Inflows of Resources	<u>20,932</u>	<u>13,898</u>	<u>3,210</u>	<u>38,040</u>
Net Position				
Net Investment in Capital Assets	(1,778,822)	(296,811)	73,570	(2,002,063)
Unrestricted Net Position	(43,287)	(225,921)	(43,726)	(312,934)
Total Net Position	<u>\$ (1,822,109)</u>	<u>\$ (522,732)</u>	<u>\$ 29,844</u>	<u>\$ (2,314,997)</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Operating Revenues				
Charges for Services	\$ 978,489	\$ 816,226	\$ 85,218	\$ 1,879,933
Other Operating Revenues	36,869	26,622	5,123	68,614
Total Operating Revenues	<u>1,015,358</u>	<u>842,848</u>	<u>90,341</u>	<u>1,948,547</u>
Operating Expenses				
Personal Services	318,644	517,065	56,483	892,192
Contractual Services	252,149	249,961	22,665	524,775
Materials and Supplies	70,809	27,844	21,124	119,777
Depreciation	105,070	12,888	2,730	120,688
Other Operating Expenses	1,248	1,772	138	3,158
Total Operating Expenses	<u>747,920</u>	<u>809,530</u>	<u>103,140</u>	<u>1,660,590</u>
Operating Income/(Loss)	<u>267,438</u>	<u>33,318</u>	<u>(12,799)</u>	<u>287,957</u>
Nonoperating Expenses				
Interest and Fiscal Charges	(26,601)	(1,878)	-	(28,479)
Total Non-Operating Expenses	<u>(26,601)</u>	<u>(1,878)</u>	<u>-</u>	<u>(28,479)</u>
Income/(Loss) Before Transfers	240,837	31,440	(12,799)	259,478
Transfer In	-	-	40,000	40,000
Transfer Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	240,837	31,440	27,201	299,478
Net Position at Beginning of Year	(2,062,946)	(554,172)	2,643	(2,614,475)
Net Position at End of Year	<u>\$ (1,822,109)</u>	<u>\$ (522,732)</u>	<u>\$ 29,844</u>	<u>\$ (2,314,997)</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Water Fund	Sewer Fund	Nonmajor Swimming Pool	Total
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 961,069	\$ 817,442	\$ 85,218	\$ 1,863,729
Other Operating Receipts	36,869	26,622	5,123	68,614
Cash Paid to Employees	(266,147)	(424,195)	(44,671)	(735,013)
Cash Paid to Suppliers	(323,923)	(246,340)	(44,436)	(614,699)
Cash Paid for Other Expenses	(1,193)	(1,772)	(138)	(3,103)
Net Cash Provided by Operating Activities	<u>406,675</u>	<u>171,757</u>	<u>1,096</u>	<u>579,528</u>
Cash Flows from Noncapital Financing Activities				
Transfers In	-	-	40,000	40,000
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(14,970)	(454,392)	(27,379)	(496,741)
Proceeds from Loans	-	191,024	-	191,024
Payment of Debt Principal	(116,076)	(72,068)	-	(188,144)
Payment of Debt Interest	(26,601)	(1,878)	-	(28,479)
Transfers	-	-	-	-
Net Cash Used in Capital and Related Financing Activities	<u>(157,647)</u>	<u>(337,314)</u>	<u>(27,379)</u>	<u>(522,340)</u>
Net Change in Cash and Cash Equivalents	249,028	(165,557)	13,717	97,188
Cash and Cash Equivalents, Beginning of Year	153,419	480,812	6,124	640,355
Cash and Cash Equivalents, End of Year	<u>\$ 402,447</u>	<u>\$ 315,255</u>	<u>\$ 19,841</u>	<u>\$ 737,543</u>
Reconciliation of Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ 267,438	\$ 33,318	\$ (12,799)	\$ 287,957
Depreciation Expense	105,070	12,888	2,730	120,688
(Increase)/Decrease in Current Assets and Deferred Outflows:				
Accounts Receivable	(17,420)	1,216	-	(16,204)
Prepaid Items	1,211	8,714	(647)	9,278
Deferred Outflows of Resources - Pension	(55,789)	(76,330)	(7,983)	(140,102)
Deferred Outflows of Resources - OPEB	(3,832)	(3,781)	(1,594)	(9,207)
Increase/(Decrease) in Current Liabilities and Deferred Inflows:				
Accounts Payable	(860)	28,719	-	27,859
Accrued Wages and Benefits	(426)	1,406	-	980
Compensated Absences	(2,688)	(2,202)	-	(4,890)
Due to Other Governments	(2,315)	(2,543)	-	(4,858)
Net Pension Liability	156,678	205,168	26,684	388,530
Net OPEB Liability	29,905	37,709	6,030	73,644
Deferred Inflows of Resources - Pension	(55,747)	(59,238)	(8,988)	(123,973)
Deferred Inflows of Resources - OPEB	(14,550)	(13,287)	(2,337)	(30,174)
Net Cash Provided by Operating Activities	<u>\$ 406,675</u>	<u>\$ 171,757</u>	<u>\$ 1,096</u>	<u>\$ 579,528</u>

See accompanying notes to the basic financial statements

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1 – REPORTING ENTITY

The City of New Carlisle (City) is a charter municipal corporation operating under the laws of the State of Ohio. The City was established as a statutory municipal corporation on February 13, 1971 and adopted its charter on November 4, 1980.

The City operates under a Council-Manager form of government. Legislative power is vested in a seven-member council. Each member is elected to a four-year term. The Mayor is elected to a two-year term from among the council's own membership. The Mayor is the ceremonial and representative head of the City but does not exercise administrative authority. The Mayor also serves as presiding officer of the council. The council appoints a City Manager for an indefinite term who acts as the chief administrative officer of the City. All department heads are appointed by the City Manager.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments which comprise the City's legal entity, which provides various services including emergency ambulance service, fire protection, health services, street maintenance and repairs, parks and recreation, water and sewer services and contracted police protection with the Clark County Sheriff's Department. Council and the City Manager have direct responsibility for these activities.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the organization's budget, the issuance of its debt or the levying of its taxes. There are no component units included as part of the reporting entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and certain special assessments are recognized as revenues in the year for which they are levied/assessed. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Street Construction Fund* accounts for street improvement and construction activities.

The *Emergency Ambulance Operating Fund* accounts for ambulance services provided by the City.

The *Police Income Tax Fund* accounts for income taxes of 0.5 percent restricted for police operations and capital related expenditures.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the activities of the water department. The water department operates the water distribution system.

The *Sewer Fund* accounts for the activities of the sewer department. The sewer department operates the sewage treatment plant, sewage pumping stations and sewage collection systems.

The City's *Swimming Pool Fund*, which accounts for the activities of the City's swimming pool, is not a major fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, including operating-type special assessments, 2) operating grants and contributions, and 3) capital grants and contributions, including capital-type special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales or services. Operating expenses for enterprise funds include the cost of sales or services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled, except as specifically stipulated by ordinance. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. The City's pooled cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

During 2019, the City invested in a certificate of deposit and the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2019, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows and outflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life exceeding one year. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Improvements Other Than Building	5-50
Equipment and Fixtures	5-20
Vehicles	10

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, special assessments, pension, OPEB, and unavailable revenue. Property taxes and special assessments represent amounts for which is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, grants, and entitlements. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

I. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All accumulated vacation leave and vested accumulated sick leave is recorded as a liability in the government-wide and proprietary fund financial statements. In the governmental funds, accumulated vacation leave and vested accumulated sick leave that is expected to be liquidated with available financial resources are recorded as an expenditure/fund liability of the fund that will pay it.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method and are reflected as an adjustment to interest expense for the period. Bonds payable are reported net of the applicable unamortized bond premium or discount. Net pension/OPEB liability is also included in the long-term obligations and recalculated on an annual basis.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Bond discounts or premiums are (1) shown as additions to, or deletions from, the account of the bond liability, (2) amortized using the straight-line method, and (3) reflected as an adjustment to interest expense for the period in the proprietary fund.

L. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting* became effective for years beginning after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

In accordance with this guidance, the City classifies its fund balance based on the purpose for which the resources were received, and the level of constraint placed on the resources. The City may use the following categories:

Nonspendable - resources that are not in a spendable form (prepaids) or have legal or contractual requirements to maintain the balance intact.

Restricted - resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed - resources that can be used only for specific purposes pursuant to constraints imposed by formal action (resolution) of the City's highest level of decision-making authority (City Council).

Assigned - resources that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. This includes the residual balance of all governmental funds other than the General Fund that were not classified elsewhere above.

Unassigned - residual fund balance within the General Fund not classified elsewhere above and all other governmental fund balances which have a negative fund balance.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted fund balance/net position are available. The City considers assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

During the normal course of operations, the City has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are treated similarly when involving other funds of the City.

N. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The City's legal level of budgetary control is established at the fund level. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final certificate of estimated resources issued during 2019.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund at the legal level of control may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are reappropriated as part of the subsequent year appropriations.

P. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements. There was no such activity in the proprietary fund financial statements during 2019. The City received \$275,546 in capital contributions in the governmental funds during 2019.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. There were no extraordinary or special items in 2019.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balances on the basis of United States generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual – for the General Fund and the Street Construction, Emergency Ambulance Operating and Police Income Tax special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance.

The adjustments necessary to convert the results of operations for the year ended December 31, 2019, on the GAAP basis to the budget basis are as follows:

Net Change in Fund Balances

	General Fund	Street Construction	Emergency Ambulance Operating	Police Income Tax
GAAP Basis	\$ 239,924	\$ 104,714	\$ 3,740	\$ 184,040
Revenue Accruals	(53,980)	(17,743)	948	(18,027)
Expenditure Accruals	16,554	5,946	12,669	4,886
Budget Basis	\$ 202,498	\$ 92,917	\$ 17,357	\$ 170,899

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the City has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred-eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the Finance Director, or qualified trustee, unless the securities are not represented by a certificate, in which payment may be made upon receipt of confirmation of transfer from the custodian.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits - At year-end, the carrying amount of the City's deposits was \$3,068,228, which includes certificates of deposit totaling \$282,815 and the bank balance was \$3,176,709. Of the bank balance, \$2,207,786 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining was uninsured and collateralized. The City's financial institution was approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System. Additionally, the City had cash on hand in the amount of \$500.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute. Ohio law requires that deposits either be insured or be protected by:

1. Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
2. Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments – At year-end, the City's investments were with STAR Ohio totaling \$1,179,522. Deposits in STAR Ohio are reported as part of Cash and Cash Equivalents. Investments reflected on the financial statements represent the \$282,815 held in the certificates of deposit at December 31, 2019. This amount is reflected in the carrying amount of the City's deposits. The City has no deposit policy for custodial risk beyond the requirements of State statute.

The City measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

Interest Rate Risk - The City's investment policy does not address interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation of debt of the City. The City's policy also states that, to the extent possible and prudent, the City will attempt to match its investment maturities with anticipated cash flow requirements. At year-end, the City's investments were not exposed to interest rate risk.

Credit Risk - Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investment policy states that credit risk will be minimized by diversifying assets and ensuring that the minimum credit quality ratings required by Ohio Law exist. STAR Ohio carries a rating of AAA by Standard and Poor's.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5 – TAXES RECEIVABLE

Taxes receivable at year-end consisted of property and income taxes as listed below:

	Property Taxes	Income Taxes	Permissive Taxes	Total
General Fund	\$ 210,158	\$ 717,291	\$ -	\$ 927,449
Street Construction	149,298	-	-	149,298
Emergency Ambulance Operating	253,616	-	-	253,616
Police Income Tax	-	255,538	-	255,538
Other Governmental Funds	483,108	-	5,091	488,199
Totals	<u>\$ 1,096,180</u>	<u>\$ 972,829</u>	<u>\$ 5,091</u>	<u>\$ 2,074,100</u>

NOTE 6 – TAXES

A. Municipal Income Tax - The City levied and collected a 1.0 percent income tax on all income earned within the City as well as on incomes of residents earned outside the City. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. On May 5, 2015, the City passed a new one-half percent police levy which increased the income tax to 1.5 percent effective July 1, 2015. During the year, income tax revenue was allocated at one percent to the General Fund and one-half percent to the Police Income Tax Fund.

B. Property Taxes - Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of the 2018 taxes.

The 2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by the State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes which became a lien on December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The total assessed property tax valuation for tax year 2018, upon which 2019 property tax receipts were based, was \$66,054,150.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 – TAXES (CONTINUED)

The County Treasurer collects property tax on behalf of all taxing districts in the County, including the City of New Carlisle. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and tangible personal property, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2019 and for which there is an enforceable legal claim. In the General Fund, Street Construction Fund, Emergency Ambulance Operating Fund, and Other Governmental Funds, the portion of the receivable not levied to finance 2019 operations is offset to deferred inflows of resources – property and other local taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 7 – TAX ABATEMENTS

Enterprise Zone

Description – Under the authority of ORC 5709, the City created an Enterprise Zone (EZ) within city limits. Legislation established that the remodeling of existing and construction of new structures within this EZ constituted a public purpose for which real property tax exemptions may be granted. The specific tax being abated is the property tax. These taxes are abated through a reduction in assessed value.

Recipient Commitment – The company is committed to purchasing, remodeling, and/or constructing properties within the EZ that will improve property value and bring jobs to the City.

Provisions for recapturing abated taxes - If the recipient materially fails to fulfill its obligations under the agreement, the agreement may be terminated or modified and may require the repayment of the amount of taxes that would have been payable had the property not been abated from taxation under the agreement. Repayment may be secured through a lien on the abated property in the amount required to be repaid and, in the manner, stated in ORC 5709.631.

The gross dollar amount for the total abated value of the EZ parcels for 2019 was as follows:

Company	Term	Percent	Amount
R.D. Holder Oil Co. Inc.	2013-2023	60	\$ 23,686
Fab Metals, Inc.	2018-2027	70	\$ 2,461

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 8 – CAPITAL ASSETS

Governmental capital asset activity for the year ended December 31, 2019, was as follows:

Description	Beginning Balance	Policy Reclassification	Reclassified Beginning Balance	Additions	Deletions	Ending Balance
<i>Non-depreciated assets:</i>						
Land	\$ 264,393	\$ -	\$ 264,393	\$ 9,980	\$ -	\$ 274,373
Total Non-depreciable assets	<u>264,393</u>	<u>-</u>	<u>264,393</u>	<u>9,980</u>	<u>-</u>	<u>274,373</u>
<i>Capital assets, being depreciated:</i>						
Buildings	681,212	-	681,212	143,020	-	824,232
Improvements Other than Buildings	286,472	5,888,864	6,175,336	306,219	-	6,481,555
Machinery and Equipment	1,743,565	(1,743,565)	-	-	-	-
Furniture and Fixtures	100,207	(100,207)	-	-	-	-
Computer Equipment	207,558	(207,558)	-	-	-	-
Equipment and Fixtures	-	2,051,330	2,051,330	74,842	-	2,126,172
Vehicles	1,781,688	-	1,781,688	26,150	-	1,807,838
Infrastructure	5,888,864	(5,888,864)	-	-	-	-
Total Depreciable Capital Assets	<u>10,689,566</u>	<u>-</u>	<u>10,689,566</u>	<u>550,231</u>	<u>-</u>	<u>11,239,797</u>
<i>Accumulated Depreciation:</i>						
Buildings	669,492	-	669,492	7,794	-	677,286
Improvements Other than Buildings	286,472	1,849,009	2,135,481	252,448	-	2,387,929
Machinery and Equipment	1,436,224	(1,436,224)	-	-	-	-
Furniture and Fixtures	98,224	(98,224)	-	-	-	-
Computer Equipment	173,382	(173,382)	-	-	-	-
Equipment and Fixtures	-	1,707,830	1,707,830	101,447	-	1,809,277
Vehicles	1,720,742	-	1,720,742	9,774	-	1,730,516
Infrastructure	1,849,009	(1,849,009)	-	-	-	-
Total Accumulated Depreciation	<u>6,233,545</u>	<u>-</u>	<u>6,233,545</u>	<u>371,463</u>	<u>-</u>	<u>6,605,008</u>
Depreciable Capital Assets, net	<u>4,456,021</u>	<u>-</u>	<u>4,456,021</u>	<u>178,768</u>	<u>-</u>	<u>4,634,789</u>
Total Capital Assets, net	<u>\$ 4,720,414</u>	<u>\$ -</u>	<u>\$ 4,720,414</u>	<u>\$ 188,748</u>	<u>\$ -</u>	<u>\$ 4,909,162</u>

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 121,080
Security of Persons and Property	85,419
Leisure-Time Activities	10,568
Public Health	106,859
Community Environment	463
Transportation	47,074
Total Depreciation Expense	<u>\$ 371,463</u>

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended December 31, 2019, was as follows:

Description	Beginning Balance	Policy Reclassification	Reclassified Beginning Balance	Additions	Deletions	Ending Balance
Non-depreciated assets:						
Land	\$ 252,595	\$ -	\$ 252,595	\$ -	\$ -	\$ 252,595
Construction in Process	-	-	-	385,830	-	385,830
Total Non-depreciable assets	<u>252,595</u>	<u>-</u>	<u>252,595</u>	<u>385,830</u>	<u>-</u>	<u>638,425</u>
Capital assets, being depreciated:						
Buildings	5,802,395	-	5,802,395	-	-	5,802,395
Improvements Other than Buildings	1,028,634	8,456,116	9,484,750	19,859	-	9,504,609
Machinery and Equipment	6,031,596	(6,031,596)	-	-	-	-
Furniture and Fixtures	41,150	(41,150)	-	-	-	-
Computer Equipment	11,654	(11,654)	-	-	-	-
Equipment and Fixtures	-	6,084,400	6,084,400	91,052	-	6,175,452
Vehicles	419,298	-	419,298	-	-	419,298
Infrastructure	8,456,116	(8,456,116)	-	-	-	-
Total Depreciable Capital Assets	<u>21,790,843</u>	<u>-</u>	<u>21,790,843</u>	<u>110,911</u>	<u>-</u>	<u>21,901,754</u>
Less accumulated depreciation:	<u>(21,597,579)</u>	<u>-</u>	<u>(21,597,579)</u>	<u>(120,688)</u>	<u>-</u>	<u>(21,718,267)</u>
Total Depreciable capital assets, net	<u>193,264</u>	<u>-</u>	<u>193,264</u>	<u>(9,777)</u>	<u>-</u>	<u>183,487</u>
Total Capital Assets, net	<u>\$ 445,859</u>	<u>\$ -</u>	<u>\$ 445,859</u>	<u>\$ 376,053</u>	<u>\$ -</u>	<u>\$ 821,912</u>

Depreciation expense was charged to business-type programs as follows:

Water	\$ 105,070
Sewer	12,888
Swimming Pool	2,730
Total	<u>\$ 120,688</u>

NOTE 9 – LEASE ACTIVITY

Operating Lease - The City leases their municipal office space at 331 South Church Street under an operating lease agreement. Total costs for this operating lease were \$22,440 (\$1,870 per month) for the fiscal year.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 – LONG-TERM OBLIGATIONS

The City’s long-term debt activity for the year ended December 31, 2019, including amounts outstanding, interest rates, and purpose for which the debt was issued, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Governmental Activities					
2016 Fire Truck					
5.25% maturing 2021	\$ 84,945	\$ -	\$ (84,945)	\$ -	\$ -
2009 Facilities and Equipment Bonds					
4.50%-6.75% maturing 2022	210,000	-	(50,000)	160,000	50,000
Facilities and Equipment					
Bonds Premium	1,576	-	(609)	967	-
Backhoe Note					
2.720% maturing 2020	10,914	-	(10,914)	-	-
2017A Various Purpose Refunding Bond					
3% maturing 2026	550,741	-	(63,662)	487,079	62,203
2017B Various Purpose Refunding Bond					
3.65% maturing 2035	575,005	-	(23,745)	551,260	23,711
Compensated Absences	61,448	36,071	(27,632)	69,887	22,043
Net Pension Liability	565,398	360,042	-	925,440	-
Net OPEB Liability	365,306	56,983	-	422,289	-
Total Governmental Activities	\$ 2,425,333	\$ 453,096	\$ (261,507)	\$ 2,616,922	\$ 157,957

In 2006, the City received loan proceeds totaling \$395,000 for the purchase of a Fire Truck. The loan was paid from the City’s Emergency Fire Fund. On June 6, 2011, the City refinanced the loan in the amount of \$296,348. In 2016, the City refinanced the loan in the amount of \$176,050 which was repaid in full in 2019.

On May 5, 2009, the City issued general obligation bonds totaling \$525,000 to pay off bond anticipation notes issued for facilities and equipment. The bonds have interest rates ranging from 4.5 - 6.75 percent and mature on December 1, 2022. The bonds were sold at a premium of \$12,070 and bond issuance costs totaled \$8,020. The general obligation bonds will be paid from the City’s Bond Retirement Fund.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

On June 24, 2010, the City issued general obligation bonds totaling \$725,000 to pay off bond anticipation notes issued for facilities and equipment. The bonds have interest rates ranging from 3.5 - 5.125 percent and mature on December 1, 2035. The general obligation bonds will be paid from the City's Bond Retirement Fund.

On September 29, 2015, the City entered into a promissory note totaling \$95,415 to pay for a backhoe. The note had interest of 2.720 percent and was repaid in full in 2019. The backhoe note was paid from the Street Construction, Water, and Sewer funds.

On June 8, 2017, the City issued Series 2017A Various Purpose Refunding bonds totaling \$669,926 to refund the outstanding balance of the Twin Creeks general obligation bonds. The bonds have an interest rate of 3 percent with a final maturity of December 1, 2026. The bonds were sold at a discount of \$10,766 and bond issuance costs totaled \$19,513. The refunding resulted in present value savings of \$59,219. The general obligation bonds will be paid from the City's Bond Retirement Fund. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$68,616.

On June 8, 2017, the City issued Series 2017B Various Purpose Refunding bonds \$624,835 to refund the outstanding balance of the 2010 general obligation bonds. The bonds have an interest rate of 3.65 percent with a final maturity of December 1, 2035. The bonds were sold at a discount of \$16,346 and bond issuance costs totaled \$18,187. The refunding resulted in present value savings of \$32,145. The general obligation bonds will be paid from the City's Bond Retirement Fund. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$47,547.

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

	Beginning Balance	Additions	Deletions	Ending Balance	Due in One Year
Business-type Activities					
Water Fund Loans:					
2004 OPWC YMCA 0% maturing 2025	\$ 46,497	\$ -	\$ (7,153)	\$ 39,344	\$ 7,153
2005 OWDA WTP Improve. 2.85% maturing 2026	1,457,707	-	(87,852)	1,369,855	179,478
2015 OWDA Automated Meter Upgrade 2.66% maturing 2035	401,822	-	(10,156)	391,666	20,719
Backhoe Note 2.720% maturing 2020	10,915	-	(10,915)	-	-
Total Water Fund Loans	1,916,941	-	(116,076)	1,800,865	207,350
Sewer Fund Loans:					
2005 OPWC YMCA 0% maturing 2025	42,921	-	(6,603)	36,318	6,603
2012 OPWC WWTP Improve. 0% maturing 2040	806,360	-	(32,913)	773,447	32,913
Backhoe Note 2.720% maturing 2020	10,915	-	(10,915)	-	-
Commercial Truck Loan 3.125% maturing 2020	43,958	-	(21,637)	22,321	22,321
Pump Loan 3.125% maturing 2023	-	190,512	-	190,512	-
Clarifier Loan 3.5% maturing 2023	-	512	-	512	-
Total Sewer Fund Loans	904,154	191,024	(72,068)	1,023,110	61,837
Compensated Absences	54,293	34,278	(39,168)	49,403	19,293
Net Pension Liability	547,043	388,530	-	935,573	-
Net OPEB Liability	353,469	73,644	-	427,113	-
Total Business-type Activities	\$ 3,775,900	\$ 687,476	\$ (227,312)	\$ 4,236,064	\$ 288,480

The Ohio Public Works Commission (OPWC) loans pertain to construction of a 16-inch water main from Smith Park to White Pine Street, the addition of a filter building at the wastewater treatment plant, and the water and sewer line extension to the Tecumseh YMCA. The OPWC loans will be paid from the operating revenues of the Sewer and Water enterprise funds.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

The Ohio Water Development Authority (OWDA) loans pertain to construction improvements at the wastewater treatment plant, planning of the Sewer Line North project, the Automated Meter Upgrade, and construction of a new water treatment plant. OWDA loans will be paid from the operating revenues of the Sewer and Water enterprise funds.

On August 1, 2016, the City entered into a loan totaling \$108,000 to pay for a commercial truck. The loan has interest of 3.125 percent and matures on September 12, 2020. The loan will be paid from the Sewer enterprise funds.

In 2019, the City entered into two loans totaling \$250,000 and \$160,000 for the wastewater treatment plant influent building upgrade project and the primary clarifier, respectively. The loans will be paid from the City's Sewer Fund and have interest of 3.125 and 3.5 percent, respectively. The loans mature on March 19, 2023.

The City pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension/OPEB liability. However, employer pension/OPEB contributions are made from the following funds; the General Fund, the Street Construction Fund, the Emergency Ambulance Operating Fund, Other Governmental Funds, and the Water Fund, the Sewer Fund, and the Swimming Pool fund.

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 – LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements to maturity are as follows:

Year	Principal	Interest
Governmental Activities:		
2020	\$ 135,914	\$ 45,533
2021	149,378	39,427
2022	152,470	32,698
2023	100,348	25,876
2024	98,004	22,681
2025-2029	319,022	70,227
2030-2034	200,052	30,308
2035	43,151	1,575
	<u>1,198,339</u>	<u>\$ 268,325</u>
Unamortized Bond Premium	967	
	<u>\$ 1,199,306</u>	
Business-Type Activities*:		
2020	\$ 269,187	\$ 48,761
2021	252,572	42,347
2022	258,441	36,477
2023	264,477	30,440
2024	270,685	24,232
2025-2029	715,625	45,351
2030-2034	306,912	12,653
2035-2039	179,859	204
2040-2042	115,193	-
	<u>\$ 2,632,951</u>	<u>\$ 240,465</u>

* During 2019, the City was awarded two loans totaling \$250,000 and \$160,000 for the wastewater treatment plant influent building upgrade project and the primary clarifier, respectively. As of December 31, 2019, the City had only drawn down \$190,512 and \$512, respectively. Since the loan was not completed at December 31, 2019, these amounts were excluded for the future debt service schedule presented above.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any (asset)/liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (employees) may elect the member-directed plan and the combined plan, all City employees have elected the traditional plan, therefore the following disclosure focuses on the traditional pension plan.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. For members retiring under the Combined Plan, an annual COLA will be provided on the defined benefit portion of their benefit. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

2019 Statutory Maximum Contribution Rates

Employer	14.0 %
Employee	10.0 %

2019 Actual Contribution Rates

Employer:	
Pension	14.0 %
Postemployment Health Care Benefits	0.0 %
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$135,036 for 2019. Of this amount, \$3,393 reported as due to other governments.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS Traditional Plan</u>
Proportion of the Net Pension Liability	
Current Measurement Date	0.006795%
Prior Measurement Date	0.007092%
Change in Proportionate Share	<u>-0.000297%</u>
Proportionate Share of the Net Pension Liability	\$ 1,861,013
Pension Expense	\$ 381,817

**CITY OF NEW CARLISLE, OHIO
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS Traditional Plan</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	\$ 83
Net difference between projected and actual earnings on pension plan investments	252,589
Changes of assumptions	162,011
Change in proportionate share	7,756
City contributions subsequent to the measurement date	135,036
Total Deferred Outflows of Resources	<u>\$ 557,475</u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 24,437
Change in proportionate share	44,883
Total Deferred Inflows of Resources	<u>\$ 69,320</u>

\$135,036 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS Traditional Plan</u>
Year Ending December 31:	
2020	\$ 146,723
2021	65,491
2022	23,429
2024	117,476
Total	<u>\$ 353,119</u>

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions and methods applied to all prior periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre-1/7/13 Retirees: 3 percent, simple Post-1/7/13 Retirees: 3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using a discount rate of 7.2 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
City's proportionate share of the net pension liability Traditional Plan	\$ 2,749,257	\$ 1,861,013	\$ 1,122,874

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

The following table displays the OPERS Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018.

NOTE 12 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year would be included in *due to other governments* on both the accrual and modified accrual bases of accounting.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2019, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

With the assistance of OPERS’ actuary and OPERS Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was zero for 2019. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$0 for 2019.

Net OPEB Liability

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportion of the Net OPEB Liability	
Current Measurement Date	0.006515%
Prior Measurement Date	0.006620%
	-0.0001050%
Change in Proportionate Share	
Proportionate Share of the Net OPEB Liability	\$ 849,402
OPEB Expense	\$ 71,446

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	\$ 289
Net difference between projected and actual earnings on pension plan investments	38,938
Changes of assumptions	27,385
Change in proportionate share	5,636
Total Deferred Outflows of Resources	\$ 72,248
 Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 2,304
Change in proportionate share	15,173
Total Deferred Inflows of Resources	\$ 17,477

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	Traditional Plan
Year Ending December 31:		
2020	\$	24,918
2021		3,939
2022		6,299
2023		19,615
Total	\$	54,771

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent (including wage inflation at 3.25 percent)
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$ 1,086,702	\$ 849,402	\$ 660,686

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 – DEFINED BENEFIT OPEB PLANS (Continued)

	Current Health Care Trend Rate		
	1% Decrease	Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 816,460	\$ 849,402	\$ 887,343

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is a loss of 5.6 percent for 2018.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 13 – EMPLOYEE BENEFITS

A. Deferred Compensation Plan

Employees of the City may elect to participate in the ING Life Insurance and Annuity Company deferred compensation plan or the Ohio Public Employees deferred compensation plan. Under these programs, employees elect to defer a portion of their pay. The deferred pay and any income earned on it is not subject to federal and state income taxation until actually received by the employee. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

B. Compensated Absences

Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation leave on the first pay of the year (or their anniversary for first year employees) and allows the unused balance to be accumulated at levels which depend upon years of service. City employees are paid for earned, unused vacation leave at the time of termination of employment.

Sick leave is earned at the rate of one and one-fourth days per month and can be accumulated without limit for each employee. Upon termination, 25 percent of accrued sick leave will be paid at the current rate of pay. In the event that an employee dies as the result of injuries sustained on the job, his or her beneficiary will receive all accrued sick leave at 50 percent of current rate of pay.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 14 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the City was a member of the Public Entities Pool of Ohio, a risk sharing pool. The City’s contract with the pool provides that in the event a casualty claim or series of casualty claims exceeds the amount of risk-sharing protection provided by the City’s risk-sharing certificate, or in the event that a series of casualty claims exhausts total net position plus any reinsurance and excess risk-sharing recoveries, then payment of such claims shall be the obligation of the City.

The Pool also provides various property coverages which are common to public entities. The pool’s general and administrative expenses, reinsurance expenses due and payable in current year, current year claims and claims expenses for property risks, plus all or any portion of any deficiencies which may occur in the property Cumulative Reserve Fund and the pool’s obligation to satisfy the requirements of any regulatory authority are funded by member contributions to the pool.

The type of coverage and limit for each is as follows:

Coverage	Limit
Legal Liability	\$ 2,000,000
Automobile Liability	2,000,000
Wrongful Acts	2,000,000
Stop Gap	2,000,000
Real & Personal Property	24,835,004

The Public Entities Pool of Ohio insurance program includes numerous other coverages related to vehicles, miscellaneous property, electronic data processing equipment, dishonesty, earthquake damage, and flood damage. These additional coverages have coverage limits ranging from \$500 to \$500,000 and some cover actual costs.

Settlements have not exceeded coverage in any of the last three years. There has been no significant reduction in coverage from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 15 – CONTINGENT LIABILITIES

A. Litigation

The City may be a defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City's Law Director that any judgment against the City would not have a material adverse effect on the City's financial position.

B. Twin Creeks Subdivision

In September 2006, the City certified to the Clark County Auditor special assessments to be placed on the tax duplicate of the 50 improved lots in Phase 1 and the unimproved parcel, known as Phase 2 of the Twin Creeks Development. The assessments were levied in order to meet the City's annual debt service of the Twin Creeks Infrastructure Bonds. The special assessments were certified for a period of 20 years, the first payment being due in February of 2007.

In order to protect the City for non-payment of the assessments, Twin Creeks Subdivision, LLC (the Developer) was required to obtain an irrevocable letter of credit, in the amount of \$240,000, covering a three year period beginning January 1, 2007, naming the City of New Carlisle as beneficiary.

Between January 1, 2006 and December 31, 2009, only the owners of the purchased lots in Phase 1 of the Twin Creeks Development paid their annual assessments, requiring the City to draw from the letter of credit twice annually for the three year period in order to meet the debt service payments of the Twin Creeks Infrastructure bonds.

During 2007, due to unforeseen circumstances, the development of Twin Creeks Subdivision ended and unpaid assessments on the parcels owned by the developer continue to increase annually. Additionally, even though the special assessments of the Twin Creeks Subdivision LLC owned parcels were in fact paid through the periodic draws from the Developer's irrevocable letter of credit, the Clark County Auditor is unable to remove the delinquent special assessments due to the decision and recommendations of the County's legal representative, the Clark County Prosecutor.

During 2013, the City acquired 30 parcels from within the Twin Creeks Development through a land reutilization program. With the acquisition of these 30 parcels, all future assessments were eliminated, and the City's special assessment receivable was decreased accordingly. In accordance with Ohio law, all proceeds generated from the sale, less associated costs, are to be remitted to the Clark County Auditor to be applied to delinquent taxes and assessments. During 2014, the City sold two of the 30 parcels. During 2016, the City sold the remaining parcels. During 2017, the City executed a settlement agreement releasing one of the Twin Creek's parcels from all future charges. This settlement agreement resulted in a significant reduction of the City's special assessment receivable balance. In exchange, the City received a cash settlement totaling \$130,000.

As of December 31, 2019, the special assessment receivable related to the Twin Creeks Subdivision amounted to \$99,750

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 – CONTINGENT LIABILITIES (CONTINUED)

C. Federal and State Grants

During the fiscal year, the City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 16 – INTERFUND TRANSFERS AND ADVANCES

A schedule of interfund transfers during the fiscal year is as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ -	\$ 257,661
Street Improvement Levy	30,000	-
Twin Creeks Infrastructure Bonds Fund	71,923	-
Other Governmental Funds:		
General Bond Retirement Fund	95,738	-
Cemetery Fund	20,000	-
Swimming Pool Fund	40,000	-
	<u>\$ 265,549</u>	<u>\$ 265,549</u>

The City uses interfund transfers to move unrestricted general fund revenues to finance various programs and debt service payments that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

In 2018, the City advanced \$115,500 from the General fund to the Water fund to provide payment for the Tower Maintenance Program. The City Council has established a repayment schedule in which \$28,875 will be repaid by the Water fund in each year of 2020 through 2023.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 17 – COMPLIANCE AND ACCOUNTABILITY

Accountability - Deficit Fund Balance/Net Position

At December 31, 2019, the following funds had deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Major Funds	
Water	\$ 1,822,109
Sewer	522,732

The fund deficits in the Water and Sewer funds were caused by applying generally accepted accounting principles. The general fund is responsible for fund deficits, however, transfers are recorded when cash is needed rather than when accruals occur.

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 95, “*Postponement of the Effective Dates of Certain Authoritative Guidance*” provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. This statement had no effect on beginning net position/fund balance.

NOTE 19 – MAJOR FUND RECLASSIFICATION

The Twin Creeks Infrastructure Bonds fund did not meet the definition of a major fund during 2019. Therefore, the fund was reclassified as Other Governmental Funds. The effect of this reclassification on fund balance is as follows:

	<u>Twin Creeks Infrastructure Bonds Fund</u>	<u>Other Governmental Funds</u>
Fund Balances, December 31, 2018	\$ 309,525	\$ 1,000,577
Major Fund Reclassifications:		
Twin Creeks Infrastructure Bonds Fund	(309,525)	309,525
Fund Balances, January 1, 2019	<u>\$ -</u>	<u>\$ 1,310,102</u>

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 20 – SUBSEQUENT EVENTS

In March 2020, the United States and the State of Ohio declared a state of emergency due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Six Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's Proportion of the Net Pension Liability Traditional Plan	0.006795%	0.007092%	0.007135%	0.007415%	0.008128%	0.008128%
City's Proportionate Share of the Net Pension Liability Traditional Plan	\$ 1,861,013	\$ 1,112,441	\$ 1,620,464	\$ 1,284,372	\$ 980,326	\$ 958,185
City's Covered Payroll	\$ 960,457	\$ 936,883	\$ 852,115	\$ 941,542	\$ 999,792	\$ 1,189,946
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.76%	118.74%	190.17%	136.41%	98.05%	80.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Traditional Plan	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) This schedule is intended to show information for ten years. Information prior to 2014 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Seven Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 135,036	\$ 134,464	\$ 121,795	\$ 102,254	\$ 112,985	\$ 119,975	\$ 154,693
Contributions in Relation to the Contractually Required Contribution	<u>\$ (135,036)</u>	<u>\$ (134,464)</u>	<u>\$ (121,795)</u>	<u>\$ (102,254)</u>	<u>\$ (112,985)</u>	<u>\$ (119,975)</u>	<u>\$ (154,693)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 964,547	\$ 960,457	\$ 936,883	\$ 852,115	\$ 941,542	\$ 999,792	\$ 1,189,946
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) This schedule is intended to show information for ten years. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Three Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net OPEB Liability	0.006515%	0.006620%	0.006674%
City's Proportionate Share of the Net OPEB Liability	\$ 849,402	\$ 718,775	\$ 674,097
City's Covered Payroll	\$ 960,457	\$ 936,883	\$ 852,115
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	88.44%	76.72%	79.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.05%

(1) This schedule is intended to show information for ten years. Information prior to 2017 is not available.

Amounts presented as of the City's measurement date, which is the prior fiscal year-end.

See accompanying notes to the required supplementary information.

**CITY OF NEW CARLISLE, OHIO
CLARK COUNTY**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Seven Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ -	\$ -	\$ 9,369	\$ 17,042	\$ 18,831	\$ 19,996	\$ 11,899
Contributions in Relation to the Contractually Required Contribution	\$ -	\$ -	\$ (9,369)	\$ (17,042)	\$ (18,831)	\$ (19,996)	\$ (11,899)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 964,547	\$ 960,457	\$ 936,883	\$ 852,115	\$ 941,542	\$ 999,792	\$ 1,189,946
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) This schedule is intended to show information for ten years. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

CITY OF NEW CARLISLE, OHIO
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

Ohio Public Employees Retirement System

Net Pension Liability

Changes of benefit terms. There were no significant changes of benefit terms in 2019.

Changes of assumptions. Amounts reported in 2019 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.5% down to 7.2%, for the defined benefit investments.

Net OPEB Liability

Changes of benefit terms. There were no significant changes of benefit terms in 2019.

Changes of assumptions. For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. There was also a reduction in the actuarial assumed rate of return from 6.50 percent down to 6.00 percent.



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740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

October 30, 2020

City of New Carlisle
Clark County
331 South Church Street
New Carlisle, Ohio 45344

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New Carlisle, Clark County (the City) as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 30, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We qualified our opinion on Governmental Activities, Business-Type Activities, Major Enterprise Water and Sewer Funds, and Aggregate Remaining Fund information because management has not established an adequate method of recording capital assets.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2019-001 through 2019-003 to be material weaknesses.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
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Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001 and 2019-003.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the City's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**CITY OF NEW CARLISLE
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2019-001

Noncompliance and Material Weakness – Capital Assets

Ohio Admin. Code § 117-2-02 (D) states, in part, all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

The following deficiencies were noted regarding the City's capital asset records:

- City departments responsible for purchasing, maintaining and/or disposing of capital assets were not required to communicate necessary asset data to the Finance Department, including description, location, and identification code(s);
- Newly acquired capital assets were not assigned a unique capital asset number;
- Newly acquired capital assets were not recorded in a timely manner; and
- Detailed records of cost and accumulated depreciation of capital assets were not maintained.

We were unable to determine during audit if the capital assets, net of accumulated depreciation, agreed to actual capital assets on hand, less accumulated depreciation, at December 31, 2019; therefore, we were unable to obtain sufficient appropriate audit evidence to support the \$4,909,162, \$821,912, \$22,043, \$726,299, and \$73,570 of capital assets reported in Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund, and Nonmajor Swimming Pool Fund, respectively.

The City should implement policies and procedures to verify that capital asset records are complete and accurate. The capital asset records should be timely updated as assets are acquired and/or are disposed. Further, the City should perform a complete physical inventory to determine the historical cost or estimated historical cost and corresponding accumulated depreciation of each existing capital asset. The results of this physical inventory should be recorded in the City's capital asset management system which would enable the City to determine the value of assets and accumulated depreciation as of December 31, 2019. Failure to maintain required capital asset records could lead to material weaknesses and modified audit opinions in future engagements.

Officials' Response:

The City is very aware this needs to be completed and we are taking steps to have this completed. There are start-up costs associated with this massive project and the City is now better prepared financially to begin this much needed Capital Asset records project. We are looking at companies that will be able to complete this project in phases.

**CITY OF NEW CARLISLE
CLARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2019-002

Material Weakness – Bank Reconciliation

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the books provide reasonable assurance that all receipts and expenditures have been correctly posted on the City's books and have been correctly posted by the bank. Additionally, reconciliations provide the City with an accounting of its financial position at month-end. The City Council has an obligation to be cognizant of the City's financial standing and financial activity to be able to make informed decisions for the City. This can be evidenced by the Council's review and approval of appropriate financial information, including monthly cash reconciliations, as documented within the City Council meeting minutes.

The City did not prepare monthly bank to book reconciliations from September 2019 through the end of the year. At December 31, 2019, the book balance exceeded the bank balance by \$5,747. The City was unable to identify the source(s) of this difference. Upon review of the accounting records and review of a bank to book reconciliation that was completed we believe the \$5,747 consisted of various posting errors made by the former finance director.

Further, the City Council was not provided bank reconciliations as part of their monthly review of financial reports for each month of the year, nor were they made aware that the City's bank balances did not reconcile to the accounting system.

The City should implement procedures to verify that monthly reconciliations between the bank and book balances are performed over all accounts and are presented to the City Council for review and approval. Failure to do so could result in management using the incorrect cash balance as a basis for their decisions and bank errors going unnoticed. Further, the City should investigate the source(s) of the difference between the reconciled cash balance and the financial statements and take appropriate action to eliminate the difference.

Officials' Response:

We did not receive a response from Officials on this finding.

FINDING NUMBER 2019-003

Material Weakness and Noncompliance – Transfers

Ohio Revised Code Section 5705.14 states, in part, no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as outlined in the section. Section (I) states, in part, except in the case of transfer pursuant to division (E) of this section, transfers authorized by this section shall only be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members.

We noted during 2019 a transfer from the General Fund to the Street Improvement Levy Fund as approved by the City Council was posted to the Street Construction Fund. We also noted during the compilation an unapproved transfer was included from the Wastewater Fund to the Water Fund. The financial statements have been adjusted for these variances.

By not properly approving all interfund activity such as transfers between funds in their entirety, unallowable transfers could occur. The City should implement procedures to properly approve all interfund activity such as transfers to improve financial reporting and accountability.

Management's Response – We did not receive a response from officials to this finding.



**-SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Noncompliance and Material Weakness-Capital Assets Ohio Admin. Code 117-2-02(D)(4)(c)	Not Corrected	Repeated as Finding 2019-001
2018-002	Material Weakness-Financial Reporting	Partially Corrected	Repeated in the Management Letter.
2018-003	Bank Reconciliations	Not Corrected	Repeated as Finding 2019-002

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF NEW CARLISLE

CLARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/24/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov